

Message Text

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43

ACTION COME-00

INFO OCT-01 ARA-10 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00

SIL-01 LAB-04 USIA-15 STR-04 TRSE-00 /049 W

----- 065569

P R 092015Z OCT 75

FM AMCONSUL SAO PAULO

TO SECSTATE WASHDC PRIORITY 6487

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

UNCLAS SAO PAULO 2110

E.O. 11652: N/A

TAGS: BEXP, BR

SUBJECT: MECANICA 75 - IMPORT RESTRICTIONS

REF: (A) STATE 237352; (B) SAO PAULO 1565; (C) SAO PAULO 1380;
(D) SAO PAULO 1332; (E) SAO PAULO 1280; (F) SAO PAULO A-63
OF SEPTEMBER 2, 1975

1. SITUATION AS REPORTED IN REFS D, E, AND F REGARDING LONG DELAYS IN NATIONALIZATION OF EQUIPMENT SOLD DURING INTERNATIONAL FAIRS HAS NOT IMPROVED. PROSPECTS ARE THAT SUCH DELAY WILL CONTINUE. IN FACT, BRAZILIAN PRESS LAST FEW DAYS HAS BEEN WIDELY REPORTING THAT NEW OR MORE STRINGENT IMPORT CONTROLS MAY BE ANNOUNCED BY PRESIDENT GEISEL IN A TELEVISED SPEECH TONIGHT.

2. LONG DELAY IN NATIONALIZATION PROCESS ARE BEING EXPERIENCED BY IMPORTERS OF MOST ITEMS, INCLUDING CAPITAL EQUIPMENT, REGARDLESS OF TARIFF RATES OR END-USE. BECAUSE OF THE MANY STEPS INVOLVED IN THE NATIONALIZATION PROCESS (UP TO 106 AT OUR LAST COUNT), IT IS IMPOSSIBLE TO LIST OR GIVE STEP-BY-STEP TIME FRAME ACCORDING TO CATEGORIES OF MACHINERY. RULE OF THUMB USED BY DISPATCHERS HAS BEEN (1) AT LEAST NINETY DAYS FOR NATIONALIZATION PROCEDURES INCLUDING LICENSE ISSUED BY CACEX IF GOB OFFICIALS SATISFIED ALL DOCUMENTS ARE IN ORDER AND IF IMPORTER DOES NOT APPLY TO CDI FOR EXEMPTIONS FROM IMPORT DUTY AND OTHER TAXES; AND (2) ONE YEAR OR MORE IF SUCH EXEMPTIONS ARE REQUESTED.

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IT IS LIKELY MOST BUYERS OF EQUIPMENT TO BE EXHIBITED AT MECANICA

WILL APPLY TO CDI FOR EXEMPTIONS BECAUSE OF AVERAGE HIGH COST OF THIS EQUIPMENT. PRODUCTS SUBJECT TO DUTIES OF 37 PERCENT OR MORE REQUIRE PRIOR DEPOSIT IN ACCORDANCE WITH CENTRAL BANK RESOLUTION 331 (REF. B AND BRASILIA 5970). HOWEVER, THIS REQUIREMENT AFFECTS MAINLY COST OF THE IMPORT AND APPARENTLY NOT TIME REQUIRED FOR PROCESSING OF IMPORT LICENSE.

3. IMPORT RESTRICTIONS HAVE HAD SEVERE IMPACT ON INTERNATIONAL SHOW AS WE PREVIOUSLY REPORTED IN REF.E AND MORE RECENTLY ON FETAG-INTERNATIONAL AGRICULTURAL TECHNIQUE FAIR (REF. F). ALMOST ALL MACHINERY AND EQUIPMENT EXHIBITED AT FETAG HAD BEEN PREVIOUSLY IMPORTED AND NATIONALIZED. MAJORITY OF DISTRIBUTORS PARTICIPATING IN MECANICA 75, INCLUDING AGENTS OF PARTICIPANTS IN U.S. EXHIBITION PLAN TO SHOW EQUIPMENT ALREADY NATIONALIZED. SEVERAL AGENTS PREDICT VERY FEW IF ANY SALES OF EQUIPMENT IMPORTED FOR FAIR.

4. ON BRIGHT SIDE, ALCANTARA MACHADO OFFICIAL TOLD US ON SUNDAY LAST THAT AD HOC INTER-MINISTERIAL COMMITTEE MEETING IN BRASILIA WILL PROBABLY RECOMMEND SOON LIBERALIZATION OF SOME RULES RELATIVE TO INTERNATIONAL EXHIBITIONS, FOR INSTANCE, MAKING IT EASIER AND CHEAPER TO IMPORT LITERATURE, TECHNICAL MATERIAL AND GIVE-AWAYS. THIS IS FAR FROM CERTAIN, HOWEVER, AND COLD WATER MAY BE THROWN EVEN ON THIS BY EXPECTED NEW IMPORT PRACTICES.

5. UNDER PRESENT IMPORT CLIMATE, FOREIGN EXHIBITOR AT ANY BRAZILIAN INTERNATIONAL FAIR HAS FOUR ALTERNATIVES, ASSUMING HE WISHES TO AVOID EXORBITANT STORAGE CHARGES AFTER SHOW: (1) DISPLAY ONLY MODELS AND FILMS, WHICH SOME EXHIBITORS WILL BE DOING AT MECANICA; (2) DISPLAY EQUIPMENT ALREADY SOLD AND NATIONALIZED; (3) RE-SHIP EXHIBIT TO COUNTRY OF ORIGIN OR THIRD COUNTRY; AND (4) RELEASE EQUIPMENT TO BUYER UNDER "TERM OF RESPONSIBILITY" WHICH AVOIDS STORAGE CHARGES BUT DOES NOT RESOLVE PROBLEM OF DELAY IN REMITTANCE (REF. C).

6. COMMENT: IN SPITE OF POOR PROSPECTS FOR IMMEDIATE SALES, WE EXPECT MECANICA TO BE WELL ATTENDED AND BELIEVE U.S. EXHIBITION WILL HAVE VERY FAVORABLE MEDIUM AND LONG TERM IMPACT ON U.S. MACHINE TOOL EXPORTS TO BRAZIL. BRAZILIAN INDUSTRIAL GROWTH HAS BEEN SLOWED THIS PAST YEAR BUT THIS SLOW-DOWN IS CONSIDERED BY UNCLASSIFIED

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LOCAL DISTRIBUTORS AND END-USERS ONLY TEMPORARY. THE CAPITAL GOODS INDUSTRY CONTINUES PLANNING FUTURE EXPANSIONS AND DISTRIBUTORS ARE ACTIVELY LOOKING FOR NEW LINES TO MEET THEIR CLIENTS FUTURE NEEDS. SO FAR DURING FY 76 WE HAVE SUBMITTED 11 T.O.'S FOR MAJOR DISTRIBUTOR AND END-USERS LOOKING FOR OVER 50 DIFFERENT TYPES OF MACHINE TOOLS AND ACCESSORIES AND SEVERAL MORE T.O. ARE IN PROCESS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 09 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SAOPA02110
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750353-0064
From: SAO PAULO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751065/aaaacgby.tel
Line Count: 115
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION COME
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 237352, 75 SAO PAULO 1565, 75 SAO PAULO 1380
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 29 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 SEP 2003 by MaustMC>; APPROVED <18 FEB 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MECANICA 75 - IMPORT RESTRICTIONS
TAGS: BEXP, BR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006